

ACTION

AGENDA ITEM: Library of California Budget

ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:

1. Consider prorating of the Library of California Interlibrary Loan compensation pilot program for 2001/02.
2. Consider allocation of Library of California funds for 2001/02.
3. Consider Library of California Budget Change Proposal for 2002/03.

<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board adopt a pro-ratio of 30% to be applied to loans compensated with Library of California funds for the 2001/02 fiscal year under the Interlibrary Loan Compensation Pilot Program.</p>
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<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board allocate additional local assistance funds, not to exceed \$1,778,895, to the regional library networks, and authorize the Chief Executive Officer to issue claim forms and other related materials to enable Library of California Regional Library Networks to claim final budget allocations from the allocation formula adopted by the Board at its August 2001 meeting.</p>
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<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board direct its Chief Executive Officer to seek additional Library of California funding, through the Budget Change Proposal process, in the amount of \$8.150 million for the 2002/03 fiscal year.</p>
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BACKGROUND:

On May 14, as part of overall reductions due to the slowing of the economy, the Governor's revised budget deleted a \$3.2 million augmentation proposed in the January 2001 budget to support the LoC loan compensation program. At the same time the revised budget imposed a 2.5% decrease in state agency operating budgets, including the

Library of California. If these changes are implemented it will leave the program with an estimated \$3.98 million in local assistance and \$986,700 in state operations.

At its April 2001 meeting the LoC Board approved an allocation formula for the Regional Library Networks and confirmed network funding priorities. At its June 2001 meeting the Board authorized the continuation of the ILL compensation pilot program and confirmed membership and participating library numbers. The Board also authorized the CEO to issue documents allowing each regional network to claim \$200,000 in local assistance funds (\$1,400,000 total) to support programs and services. The Board deferred allocating additional funds until it reviews other program costs, available funding, and allocation recommendations at its August 2001 meeting.

At the statewide level LoC-funded programs for FY 2001/02 include the following:

- Librarians' Index to the Internet
- LoC Periodicals/Serials Database
- Loan Compensation

At the regional level LoC funded programs for 2001/02 include the following:

- Reference and information services
- Delivery
- Training
- Administration including development and support of the network Council and Board
- Public relations
- Telecommunications and online access

Of primary concern is developing a methodology for allocating funds to the regional networks while preserving the interlibrary loan compensation pilot program, as approved by the Board at its June 2001 meeting. To allocate funds to a loan compensation program, the Board must consider a reduction in either regional or statewide programming, or both. At the June meeting staff proposed a budget that reallocated some eligible loan compensation costs to the CLSA TBR program. Staff also proposed a 10% reduction in the proposed allocation to regional library networks, per the April 2001 formula. The Board requested that additional consideration be given to pro-rating the ILL pilot program reimbursements (i.e. lowering the cost of the reimbursement) to provide for a smaller reduction in network budget allocations.

Table 1 shows the current LoC Budget without any allocation to loan compensation.

Table 1

LIBRARY OF CALIFORNIA BUDGET 2001/02

August 2001

Local Assistance	\$3,988,000
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Allocation

Statewide Programs

Librarians' Index to the Internet	\$281,600
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LoC Serials/Periodicals DB - CDL	\$65,505
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Subtotal	\$347,105
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Allocated to Regional Networks	\$1,400,000
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Available Balance	\$2,240,895
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ISSUE 1: Consider prorating the Interlibrary Loan compensation program for 2001/02

Without any prorating of the interlibrary loan compensation it is estimated that the loan pilot program will cost \$660,000 in LoC funds. Table 2 shows that allocation. Without further adjustments, the available balance used to fund regional network services shows a corresponding reduction.

Table 2

LIBRARY OF CALIFORNIA BUDGET 2001/02

August 2001

Local Assistance	\$3,988,000
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Allocation

Statewide Programs

Librarians' Index to the Internet	\$281,600
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Loan Compensation	\$660,000
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LoC Serials/Periodicals DB - CDL	\$65,505
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Subtotal	\$1,007,105
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Allocated to Regional Networks	\$1,400,000
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Available Balance	\$1,580,895
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Recommendation:

Staff recommends that the Library of California Board adopt a pro-ratio of 30% to be applied to loans compensated with Library of California funds for the FY 2001/2002 fiscal year under the interlibrary loan compensation pilot program.

Prorating is a technique used by staff when it is anticipated that the number of loans will exceed the amount of funding available for compensation at the maximum approved compensation level. Based on projected program activity levels, staff calculates the

amount of compensation (always lower) likely to be needed to accommodate all loans within an existing budget cap. Loans are compensated at the reduced rate during the year. After all loan transactions are known for the year, a final adjustment (5th payment) is made to reimburse participants by equitably distributing the remaining funds to all libraries that have submitted claims for reimbursement for 2001/02.

Staff estimates the following:

- If the recommended loan compensation pro-ratio is 10% (i.e., \$3.44 per transaction) the regional network budgets are reduced 8.0283%, or \$265,965. See Exhibit A.
- If the recommended loan compensation pro-ratio is 30% (i.e., \$2.67 per transaction) the regional network budgets are reduced 4.0438%, or \$133,965. See Exhibit B.
- If the recommended loan compensation pro-ratio is 50% (i.e., \$1.91 per transaction) the regional network budgets are reduced 0.0593%, or \$1,965. See Exhibit C.

ISSUE 2: Regional Library Network Allocations for 2001/02

The allocation model adopted by the Board at its April 2001 meeting takes into consideration a budget baseline for each network and an allocation of the remaining balance based on network members and participating libraries. The formula for each network is as follows:

Baseline (\$200,000) + (% Membership*.5 available balance) + (% Participants*.5 available balance)

A sample of the formula based on April/June discussions, but updated with current member/participant data, is shown as Exhibit D.

Recommendation:

Staff recommends that any reduction be applied as a percentage against the total allocation for each network, modifying the formula adopted by the Board at its April 2001 meeting.

In considering a recommendation on how to allocate a budget reduction to network budgets staff looked at the following:

- A reduction to the baseline
- A reduction to the amount available after the baseline is deducted
- A reduction to the total allocation for each network

Staff found the following:

- A reduction to the baseline favors networks with larger membership/participant numbers over networks with smaller membership/participant numbers.
- A reduction to the balance after the baseline is applied favors networks with smaller membership/participant numbers over networks with larger membership/participant numbers.
- A reduction to the total allocation for each network distributes the reduction to all networks more equitably. The formula is as follows:

(Baseline (\$200,000) + (% Membership*.5 available balance)+(% Participants*.5 available balance)) - % of reduction

Table 3 shows the LoC Budget with a 30% ILL compensation proration and a 4.05% reduction in network service/program funding.

Table 3

LIBRARY OF CALIFORNIA BUDGET 2001/02

August 2001

Local Assistance	\$3,988,000	
Allocation		
Statewide Programs		
Librarians' Index to the Internet	\$281,600	
Loan Compensation	\$462,000	
LoC Serials/Periodicals DB - CDL	\$65,505	
Allocated Statewide	\$809,105	
Allocated to Regional Networks (June)	\$1,400,000	
Allocated to Regional Networks (Aug.)	\$1,778,895	
Available Balance		\$0

ISSUE 3: Consider LoC Budget Change Proposal (BCP) for 2002/03

The 2002/03 fiscal year is expected to be difficult for the development of BCP's. The inability to accurately project state revenues and costs make it difficult, if not impossible; to estimate what funding might be available for program expansion. With this in mind, staff has developed a BCP in the amount of \$8.150 million to be allocated for local assistance to increase the availability of educational resources and library services through programs administered either statewide or by LoC Regional Library Networks.

Online database(s) support for K-12 educational needs.

- Database Subscription \$ 3.858
- Amigos Subscriptions \$ 0.160

Regional Library Network services which meet the specific educational and informational needs of library users.

▪ Regional and Statewide Delivery	\$ 0.512
▪ Telecommunications Support	\$ 1.010
Z39.50 Server Software grants (50)	\$ 0.375
Compensation to reimburse libraries for sharing materials with other libraries	<u>\$ 2.235</u>
Total Request: (in millions)	\$ 8.150

Included in the services to be provided from this request are:

- Licensed database services for school and public libraries to help children with their educational needs;
- State-mandated regional delivery and telecommunications services which meet the library needs of Californians of all ages;
- State-mandated compensation to reimburse libraries for sharing their materials (interlibrary loan and direct loan) with other libraries;

Staff Liaisons: Mark Parker/Diana Paque